



PERU

SUPPORT GROUP

Trade

It is claimed that globalisation and the international trade system offer developing countries an opportunity for economic development and poverty eradication. Yet, there is an increasing gap between these claims and global reality. Too frequently the trade system works in the favour of rich, powerful trading nations and large corporations, at the expense of the environment, democracy and the poorest people.

International trade is a means to an end not an end in itself; the primary goal of the trade system should be to achieve sustainability and poverty eradication. The Trade Justice Movement (TJM) believes that for this to change, trade should take place within a set of rules that protect the poor and vulnerable. Most of the international trade rules are agreed by the World Trade Organisation (WTO), but although all 140 member countries, in theory, are equally responsible for decision making, poorer countries are unable to afford the cost of sending a representative. Some countries have 25 representatives while over half the least developed country members have none at all.

Many of these rules work against the poor. Developing countries are forced to open up their markets to foreign companies, often at the expense of their own producers, while rich countries can negotiate deals which protect their own producers from competition from developing countries.

There are too few rules to set standards for how transnational companies (TNCs) should behave in poor countries. TNCs are rapidly becoming the most powerful force in the trading system and can have an influence on the lives of millions of poor people. Rules are needed to ensure that TNCs do not exploit the workers and environment of the country they are working in.

Amongst other things the TJM calls for the following changes in the balance of the trading system, international trade rules and institutions:

UPDATE EXTRA

A PSG themed supplementary bulletin

TRADE 2002

The aims of the PSG are to promote the rights and interests of the people of Peru and in particular the poorest sectors.

Welcome to our Update special focusing on the issue of trade. We hope that this will be the first of many extra updates that will focus on key issues of concern.

Trade is an issue that has been taken on by a number of UK and International NGOs as a major campaign for the next few years. A UK coalition has been formed, the Trade Justice Movement, campaigning for change in International Trade rules to give a fairer deal to developing countries. Below, we have outlined a few of their concerns and a number of the reasons given for taking on trade as the next big campaign, following on from the success of the Jubilee Debt Campaign.

- International agreements on trade regulating governments and companies must reflect the different levels of economic development of countries and not force 'equal' trade relations between unequal partners.
- For international trade policy to be legitimate and democratic, all countries must have equal access to negotiations, and have their concerns reflected in decision-making. There must also be adequate public scrutiny.
- Governments of developed countries have failed to practise what they preach on trade issues, erecting barriers against imports from developing countries while advocating free trade.
- A stated objective of trade policy is to improve standards of living. Governments have a goal of halving poverty by 2015, but this will not be achieved unless the poor get a greater share of the benefits from trade.
- Policies are necessary to protect the poorest countries from the burden of economic adjustment and to enable them to take advantage of market opportunities and work their way out of poverty. This requires public investment and the redistribution of assets.
- Trade agreements need to reflect environmental costs and respect principles established at the summit in Rio such as 'the polluter pays'

The Peru Support Group welcomes comments and suggestions from members concerning the Update. Articles or letters for publications are also gratefully received, although publication cannot be guaranteed.

Opinions expressed in articles in the Update are those of the author and may not necessarily reflect the views or policies of the Peru Support Group.

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UK Trade with Peru

PERU - TRADE AND INVESTMENT Key facts and figures

Figures and information from Tradepartners UK.

Investment

British direct investment in Peru increased by 2,019% between 1990 and 2000. Total UK investment in 2000 stood at \$2.4 Billion. British investment represents 20.3% of the total registered foreign investment as at December 2000 making us the third largest foreign investor in Peru. Investors include ICI, Shell, Midland Bank, BHP Billiton, BAT, Enterprise Oil and Rio Tinto.

Background

The bilateral trade balance is overwhelmingly in Peru's favour. Peru exports to the UK have experienced a huge increase brought about by the enormous leap in gold production. In fact, most of Peru's exports to the UK

are minerals - the remainder being fish products, fruit and vegetables and textiles.

The Peruvian economy has been in something close to recession for two years now. However, if the new government pursues the free market policies (including the promised privatisation programme) of its predecessors, then important opportunities could arise. Therefore it is possible that Peru's considerable potential could soon be realised in several key areas, and we hope that British companies will be able to take advantage we shall therefore be focusing our efforts on:

Mining - Investment in the sector will continue to grow. Mining exports are expected to grow by 16% in 2002.

Agriculture - Opportunities possible in the sugar sector.

Ports and Roads - Both due to be offered in concession under

the privatisation programme.

Oil and Gas - The Camisea Gas project has at last been awarded (to two Argentine-led consortia), with the object of bringing gas from the jungle to the coast by 2004.

Water - It seems likely that a number of the regional water companies (possibly including Lima) will be privatised or offered in concession during 2001/2002. This will, however, depend on the attitude of the new Government.

The Peruvian government welcomes foreign investment and an Investment Promotion and Protection Agreement (IPPA) between the UK and Peru came into force in 1994.

Tradepartners UK (TPUK) is the government organisation responsible for helping UK companies export and reports to the Department of Trade and Industry and the Foreign Office.

Main UK exports to Peru by value during 2001 (with changes over 2000) were:

Beverages	£6m	(+7%)
Road Vehicles	£5m	(+ 72%)
Medical and pharmaceutical products	£3m	(-3%)
Chemical materials and products nes	£3m	(+4%)
Essential oils and resinoids	£3m	(+56%)

Around 82.7% of UK exports to Peru are manufactured goods.

Main UK imports from Peru by value during 2001 (with changes over 2000) were:

Non-ferrous Metals	£92m	(+1%)
Animal Feedstuffs	£19m	(-7%)
Vegetables & Fruit	£12m	(+67%)
Electrical machinery, apparatus and appliances	£12m	(92,208%)
Articles of apparel and clothing accessories	£7m	(+1%)

In 2001, the UK exported £41.2m to Peru, and imported £166.5m.

Women in Asparagus farming in Ica

María is a single parent, bringing up four girls aged from 5 to 14 years old. She has 7 years' experience of working in the asparagus industry and is doing shift work in the factory. As she is the sole source of income for her family, María worked until she was 7½ months pregnant, and started working again 1½ months after the birth of each child. She has no holiday or sick pay and no free days. Earning 13.67 soles per day, María is living at a level of extreme poverty. She is paid national insurance but will never have pension rights because of the seasonal nature of the work.

Women in Asparagus farming in Ica

Asparagus, now the second largest export crop after coffee, is big business in Peru. The industry highlights some of the perils of liberalisation in Peru. The lack of state regulation of private companies in an industry that produces solely for the export market and the introduction of more flexible labour conditions have all led to the undermining of poor women's rights and livelihoods.

In the early nineties Peru underwent a rapid and dramatic process of economic liberalisation. The hyper-inflationary crisis of the late eighties left Peru in a weak economic position internationally and the newly elected government implemented radical reforms backed by the International Financial Institutions like the World Bank. These reforms saw deregulation and privatisation and encouraged export-led growth. At the same time there was a boom in the asparagus industry where the newly implemented policies attracted large investors who were keen to exploit Peru's cheap labour force and suitable weather conditions.

Much of the asparagus produced in Peru is grown in the Ica valley, to the south of Lima, where many acres were bought up and used for export-oriented asparagus farming. The increase in export-oriented agriculture coupled with trade liberalisation has led to a significant increase in the proportion of basic foodstuffs that are imported to feed the Peruvian population. This in turn means that Peru is ever more dependant on the existence of sufficient foreign exchange to pay for

imports. The boom in asparagus farming in Ica has provided many people with jobs. However, neo-liberalist legislation means that companies are not required to sign contracts with their workers, they have almost absolute power over their workforce and the fear of being fired is used to create conditions of low wages and exploitation.

The workers on the asparagus farms often suffer from job-related illnesses, resulting from exposure to pesticides. Many women suffer from pain in the spine and kidneys and urinary infections from having to work bent over to cut the asparagus for long hours on end without proper breaks. There are no maternity benefits. Some workers are expected to spend long days inside a refrigeration facility where the boxes of asparagus are kept until they are ready to be transported. Often the workers are not provided with special protective clothing. As a consequence there is a high incidence of bronchial infections. Despite these conditions, few workers do not feel they are in a position to complain as in many cases the asparagus farms represent their only opportunity for employment.

The Provincial Women's Federation of ICA (FEPROMU) has been investigating the conditions on the asparagus farms and the testimonies were taken on a recent visit by the PSG Co-ordinator and three Christian Aid staff members

Ana is a single parent with two children, aged 2 and 4. They are cared for by her mother while she is at work. In this she is fortunate as "some women have to leave their children locked in the house all day". She has trained as a teacher, but cannot save enough extra money to pay for her graduation certificate - "A lot of highly qualified people work on the asparagus plantations". She earns 16 soles per day (£3. 20) working a 9-hour shift in the factory. In reality, however, her days are usually much longer around 15-16 hours per day, for every 6 hours overtime, she may be paid for 2. There is no guarantee they will be asked to come back the following day. There are no benefits such as fixed overtime rates, lunch break on a shift or toilet facilities.

She has a fungal infection on her hands through wearing gloves for too long. The gloves should be changed every week to prevent this but usually it is at least a month or when the buyers visit. "The last time one of the buyers came we got new gloves and overalls and they had the loos cleaned too. They even supplied toilet paper".

Workers at an asparagus plant in Ica

Fair Trade benefits Peruvian coffee growers

Article by John Crabtree

You may think that the price of coffee on the supermarket shelves only goes up, never down. But to Third World coffee growers, the international price is at its lowest for 30 years. Many producers carry on only because they cannot do anything else or because they think that eventually the world price will pick up.

But this is not the case in Pite, a remote community in the far north of Peru, close to the border with Ecuador. Its coffee farmers have not only turned into being exporters - itself a minor revolution for those with only tiny plots of 3-5 hectares - but are doing so at a profit, thanks to the Fair Trade movement.

To them, Fair Trade is almost literally a matter of life and death. With the world price of coffee at around 48 dollars per quintal (100 lbs), Fair Trade offers them a guaranteed floor price of 126 dollars a quintal. No-one in Pite can produce coffee for 48 dollars a quintal, once all their costs are taken into account, and these are not the sort of farmers able to sustain losses.

Joel Correa, for one, is well pleased how things are going. Not only is he receiving a reasonable price whereas many other producers in the region think it's hardly worth harvesting their coffee this year, but he has increased the yield on his plot from 1 quintal per hectare six years ago to 6-8 quintales now. He is investing the profit he makes into a small plant to produce a kind of raw sugar (panela) which will provide his household with some income once the cash from the coffee harvest (which comes once a year) is all spent.

Correa is also able to take advantage of the fact that his coffee is organically produced, which means that it commands an extra 10 dollars a quintal on the market. To qualify as organic, coffee production has to conform to a number of basic norms, as well as avoiding the use of fertilizers, pesticides and other chemicals. Many Peruvian producers can qualify as organic because unlike many Colombian coffee growers, they've never had the money to buy fertilizers.

Many farmers in the highlands of eastern Piura department are following Correa's example and becoming members of the Central Piurana de Cafetaleros, Cenicafé. Formed in 1995 as a non-profit organisation, Cenicafé, now has more than 1,400 members in 35 communities stretching from places like Pite, near Montero, in the

north-east of Piura southwards into Huancabamba province.

Cenicafé's main function is to buy members' coffee harvests and to export it direct to Fair Trade institutions in the United States and Europe, passing on to the producers these the advantages of eliminating middlemen and selling coffee at a slight premium in those markets. It also provides technical assistance to growers to help them to certify themselves as organic producers. Furthermore, it can provide members with credit, a scarce commodity in rural Peru since former president Alberto Fujimori shut down the Agrarian Bank in 1991.

Partly because of the activities of Cenicafé and organisations like it elsewhere, coffee exports have increased in recent years, turning coffee into Peru's single most important export commodity. However, most Peruvians continue to sell through a chain of intermediaries which means that they receive a reduced cut on an all-time low price. In San Martín, for example, in the jungle fringe to the south-east of Piura, producers currently receive from local middlemen about 80 soles (22.85 dollars) for each quintal of coffee, with exporters taking most of the difference between that and the New York price.

For many coffee growers in San Martín, the answer to their economic predicament is to turn to coca. The increase in coffee production in San Martín had been part of a drive by USAID and others to substitute coca with other crops, taking advantage of the fact that in the mid 1990s the price of coca was low and the international price for coffee was high. Since the late 1990s, however, the trends have been the reverse: coffee prices have collapsed and coca prices have recovered. Hectare for hectare, a farmer can now make ten times more cash from growing coca than coffee. Many farmers are now wary that coca production brings with it other problems - violence, prostitution, the threat of eradication, to name but a few - but the price differential is such as to override such considerations.

So, it is perhaps worth remembering that when you next visit your local supermarket, the little extra you pay to buy Fair Trade Peruvian not only gives you great quality coffee. It keeps farmers like Joel Correa in business and does something to reduce the incentives to grow crops that produce drugs.

The author has recently returned from visiting coffee growers in Piura and San Martín as a consultant for Oxfam.

Putting FairTrade to the test!

Here at the Peru Support Group, with the help of a few willing volunteers, we carried out a 'taste test' of some of the South American Fairtrade coffees on the market. Our tasters were given four different types of fairtrade coffee and asked to comment on aroma and taste, then we showed them the packets and asked for feedback on packaging:

Percol; Latin American, Organic, Arabica Coffee:

This coffee received top marks for the packaging - colourful blue green and gold, with the portrait of a happy Fairtrade farmer. The smell was less colourful, quite mild and subtle. It also tasted mild and subtle, with a treacly aftertaste. Our panel agreed this would be a good morning coffee.

Cost: £2.07p for 250g

Marks: Packaging 4/5 Aroma 3/5 Taste 2/5 Overall 3/5

Equal Exchange; Latin American, Organic, Dark Roast Arabica Coffee:

A stylish silver packet decorated with black coffee beans and dark red brushstrokes. The coffee smelt intense, deep and well roasted. This was a big hit with one of our panel, who imagined himself transported to a pedestrian café on the Champs de Elysée! Some of the others were less impressed and described it as strong and almost bitter. This is a strong coffee with a textured aroma, for times when you need a big pick-me-up.

Cost: £2.97p for 227g

Marks: Packaging 3/5 Aroma 3/5 Taste 3/5

Overall 3/5

Coop; Produce of more than one Country, Roast & Ground Coffee:

The budget option was packaged cheap and cheerfully in shiny blue wrapping paper design with a red Fairtrade sticker on top. The ground coffee smelt fragrant and flowery but tasted quite flat and ordinary. Everyday coffee at an everyday price, demonstrating that FairTrade doesn't have to be an expensive option.

Cost: £1.69p for 227g

Marks: Packaging 1/5 Aroma 2/5 Taste 2/5 Overall 2/5

Cafédirect; Peruvian, Organic, Machu Picchu Mountain Special Coffee:

Direct from farmers of the COLCA co-operative in the Sacred Valley, Cuzco. The packet is hard for aficionados of Peru to miss, decorated as it is with the backdrop of Machu Picchu. The coffee smelt mellow and well rounded, the taste was similar - smooth but with individual character and a bit of an afterkick - must be all that mountain air. This was our panel's favourite and if you buy it you will be directly supporting fairer trade with Peru.

Cost: £2.39p for 227g

Marks: Packaging 4/5 Aroma 4/5 Taste 3/5 Overall 4/5

These fair trade coffees as others are available in many supermarkets and local stores you can find a full list of fair trade products and where you can get hold of them on the fairtrade website at www.fairtrade.org.uk Article by Eleanor Hazell

Fair trade Fair in Islip, Oxford

May 4th is World Fair Trade Day. It used to be "World Shops Day" when all the independent Fair trade shops across Europe had a special day to promote Fair Trade. Recently Fair Trade shops across the USA decided to do a similar thing on the same day, and the Fair Trade companies in Japan are doing the same. Members of IFAT (International Federation for Alternative Trade) around the world voted to mark May 4th 2002 with special activities. There is a website for World Fair Trade Day - www.wftday.org

Come to celebrate Fair Trade and do your special spring and summer shopping day on the 4th and 5th of May at the Old Rectory in Islip, Oxford from 11-5pm

An enterprising group of women, Babso Kanwar from the Art Company; Jane and Emmy Skinner, Judith Condor-Vidal are organising a fair of fairly traded goods from around the world in this small village 4 miles north of Oxford.

More information from babso@theartexhibition.com and jcondor_vidal@btinternet.com

Making trade work for Peru

Free Trade Area of the Americas

Negotiations are underway to extend NAFTA (the North American Free trade Agreement) - currently covering USA Canada and Mexico - to every other country in South and Central America except Cuba, creating the largest free trade area in the world, the Free Trade Area of the Americas (FTAA). Negotiations will conclude in January 2005 and all countries should have entered by December.

The proposal was launched in 1994 at the Miami 'Summit of the Americas' but took off properly in 1998 when a Trade Negotiations Committee was formed. They decided rules would be made covering agriculture, investment, dispute settlement, intellectual property rights, subsidies and anti-dumping, competition, government procurement and market access. Since then negotiating groups for each of these areas have met regularly and begun writing the draft text for a Free Trade Area of the Americas. The draft version is available online at www.ftaa-alca.org

Special committees were created to discuss participation of smaller economies, e-commerce and civil society participation. However NGO's are concerned that there is no real mechanism for civil society participation, and that the committee is little more than lip service. They asked for working groups on democratic governance, labour and human rights, consumer safety and the environment.

The FTAA is to be "consistent with WTO rules and disciplines and to improve upon them wherever possible and appropriate" (www.ftaa-alca.org). Advocates argue that creating a massive free trade area will draw new investment to developing countries like Peru, create new jobs and increase export opportunities. Those in opposition point out that free trade rarely benefits those who are economically weak and who are therefore unable to defend whatever right they may have in theory. One million manufacturing jobs were lost in US when companies relocated to take advantage of cheaper labour in Mexico, in Mexico one million workers in maquiladora factories near the US border earn less than the minimum wage of \$5 a day.

Extending NAFTA to the whole of the Americas may well increase the power of corporations' vs countries. Protection of investors' rights enables corporations to sue governments for national laws

covering public health and safety which are judged to impinge on them. Cases of corporations receiving substantial damages have already occurred in US, Canada and Mexico. There are questions over whether countries will be forced to accept GM foods, this has caused concern among NGOs that the FTAA may further weaken the agricultural economy of many Latin American countries.

Intellectual Property Rights may also be extended throughout the Americas, with the result that pharmaceutical companies could keep their monopoly on manufacture of essential drugs, keep prices high and forbid the production of generic versions. Intellectual Property Rights grants 'ownership' of drugs extracted from natural plants to whoever files a patent first, laying traditional medicine open to 'biopiracy' by companies.

A major concern of many Latin American countries is the cost of being left out, this is something that Cuba will suffer. But the rules that governing the FTAA are still to be finalised - Brasil for one, will play an important part in the design of this.

EU - Peruvian Trade

Provisional figures for 2001 show that the EU countries as a whole were Peru's second largest trade partner after the United States, absorbing 20.9% of its exports and being the source of 13.8% of its imports. The biggest European export market is the United Kingdom (8.4% of the total), followed by Switzerland (not a EU member state); the biggest source of imports is Germany (3% of total imports).

EU commercial relations with Peru, as well as other matters, are subject to the Framework Cooperation Agreement with the Andean Community, signed in 1993. As part of EU efforts to discourage coca production, Peruvian agricultural exports (excluding bananas) enter the EU duty free under the General System of Preferences. The most important Peruvian export to Europe is minerals.

Trade with Europe has been encouraged by the increase in European investment in Peru. As of 2000, the total stock of EU investment was \$5.62 billion, of which by far the largest contributions were from Spain (\$2.42 billion) and the United Kingdom (\$1.92 billion). Total foreign direct investment stood at \$9.74 billion.

Making trade Work for Peru

The Fairtrade Mark

Buying products carrying the Fairtrade Mark (coffee, tea, bananas, orange juice, sugar, honey and cocoa, currently available) costs only a few pence extra and ensures that farmers have received a fair price for their products. What exactly is a 'fair price' you might ask. For a start it is a guaranteed minimum price (\$1.26 a pound for coffee), which covers the cost of production. In August 2001 world coffee prices fell to their lowest level in 30 years, leaving coffee farmers unable to recover costs already spent growing the beans, let alone finance the next year's crop. When coffee prices rise above the minimum, Fair Trade producers receive 5c a pound more. Additionally producers receive a 'social premium' - for social and economic community development. A further benefit is 'pre-finance', part payment in advance enabling farmers to finance the years crop without borrowing money at extortionate interest rates.

These standards are checked by the Fairtrade Foundation. Typically small-scale producers, working through co-operatives benefit from Fairtrade. By dealing with the co-operatives directly and bypassing the international market, Fairtrade can offer farmers a 'fair price' and be competitive. Five thousand coffee farmers in the COCLA coffee co-operative in Peru already benefit from selling coffee direct to Fairtrade buyers.

Fairtrade investment

Shared Interest, a cooperative credit society which makes short term loans to small producers and crafts workers who export through the fair trade network. In the past, amongst other projects they have made loans to Peruvian coffee cooperatives such as COCLA (Central de Cooperativos Agri) and Cepicafé-Pidecafé, Crafts organisations like Rassu Wilka in Ayacucho, and through CIAP, the Inter-regional centre for Artisans in Peru based in Lima.

Established in 1990 Shared Interest now has around 8,000 members who have invested £20m.

For more information contact:

**Shared Interest, Freepost
NT 1883, Newcastle upon
Tyne NE1 1BR
www.shared-interest.com**

MINKA ('mutual co-operation' in Quechua) is a co-

Fairly Traded Fashion

operative of Peruvians producing handicrafts for customers in Europe, America and Japan. Organic cotton is grown and spun in the Amazon basin, Alpaca fibre is produced in the Andes. Members of the co-operative are indigenous people living in harsh conditions, who are farmers but have to engage in other activities to survive. MINKA links over 9,000 producers directly with companies and organisations overseas that distribute their products. Producers are helped to access their raw materials directly, they are also given technical support to develop products and improve quality, ensuring the clothes are fashionable and good quality, as well as ethical. "To do Fair Trade responsibly we must be better at trading than a 'non-Fair Trade company'...I am very happy when people wander into our shop buy something they think is well designed and reasonably priced and only notice the Fair Trade and Ecology tag after they get it home" (Safia Minney founder of People Tree, a Fair Trade company distributing MINKA products). MINKA's profits are reinvested in local development projects, benefiting the other side of people's livelihoods - farming.

For fairly traded fashion direct from producers in Peru check out www.ptree.co.uk, People Tree Ltd, Vigilant House, 120 Wilton Road, London, SW1V 1JZ, or www.transparencia.org.pe/minka

THOUSANDS TO ATTEND MASS LOBBY FOR TRADE JUSTICE

More than 10,000 people are expected to travel to Westminster on Wednesday 19 June 2002 for a 'Mass Lobby' of Parliament organised by the Trade Justice Movement. The climax of the day will be a huge gathering stretching along both sides of the River Thames as people queue to discuss international trade rules with their MPs.

The Trade Justice Movement, which is a fast growing coalition of around 40 organisations including Oxfam, Christian Aid, Save the Children, and Friends of the Earth, is raising the issues in advance of three important international summits being held over the summer: the G8, the EU Heads of Government, the UN World Summit on Sustainable Development.

The lobby will send a clear message that British

voters want the rules on international trade rewritten.

Chris Holt, Trade Justice Movement Coordinator, said: "**This is going to be big. Thousands of people are already making plans to come to London for the Mass Lobby. People are sick of the way world trade is run to benefit rich countries and their multinationals, at the expense of the poor and the planet. After Jubilee 2000 in the 90s, the Trade Justice Movement is the big cause of this decade.**"

For more information contact
Tel. 020 7404 0530,
email: tjm@fairtrade.org.uk, or visit
www.tradejusticemovement.org.uk

Campaigns

Help the Peru Support Group raise awareness of the situation in Peru by becoming a member



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Please pay without delay.

Thank you!

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